UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(A COMPONENT UNIT OF THE MUNICIPALITY OF UPPER DUBLIN)
MONTGOMERY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2024

TABLE OF CONTENTS

Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-8
Basic Financial Statements:	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12-20

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Independent Auditors' Report

Board of Directors
Upper Dublin Township Municipal Authority
Upper Dublin, PA

Opinion

We have audited the accompanying financial statements of the business type activities of Upper Dublin Township Municipal Authority (a Component Unit of the Municipality of Upper Dublin), Montgomery County, Pennsylvania (the Authority), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Upper Dublin Township Municipal Authority as of December 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial statements section of our report. We are required to be independent of the Upper Dublin Township Municipal Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Dublin Township Municipal Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that they would influence the judgment made by a reasonable user based financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Upper Dublin Township Municipal Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Dublin Township Municipal Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We previously audited Upper Dublin Township Municipal Authority's 2023 financial statements, and our report dated May 8, 2024, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements as restated for the prior period adjustment as explained in the preceding paragraph.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
May 1, 2025

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of the Municipality of Upper Dublin)

Management's Discussion and Analysis

December 31, 2024

The following discussion and analysis of the activities and financial performance of the Upper Dublin Township Municipal Authority (the "Authority") provides an introduction and overview to the Authority's basic financial statements for the fiscal years ended December 31, 2023 through December 31, 2024. Please consider the information presented here in conjunction with the accompanying financial statements and related footnotes.

The Upper Dublin Township Municipal Authority is a component unit of the Municipality of Upper Dublin. The Authority was established January 1, 2017 to be a self-supporting entity to serve the Municipality of Upper Dublin. The members of the Authority Board are appointed by the Municipality of Upper Dublin for a five (5) year term.

Authority Activities and Highlights

- The net position increased by $5,168,310, $4,665,761, and $223,761 for the years ended December 31, 2024, 2023, and 2022, respectively.

- The Authority's incurred operating expenses related to operations and administration totaled $108,608, $122,689, and $117,834 for the years ended December 31, 2024, 2023, and 2022, respectively. The operating expenses were funded by $525,000, $525,000, and $524,280, from the assessment revenue in 2024, 2023, and 2022, respectively.

- The Authority received $5,053,954, $4,599,577, and $96,416, in grant funding in 2024, 2023, and 2022 to help fund capital improvements within the defined boundary of the Authority.

The Authority was formed for the purpose of obtaining and financing working capital, acquiring, holding, constructing, improving, maintaining and operating, owning or leasing, either in the capacity of lessor or lessee, projects with the defined boundary of the Authority of the following kind and character:

- Transportation and roadway improvements, bridges and other related improvements

- Storm water and flood control planning, management, and implementation

- General economic development and marketing for the Fort Washington Office Center Park

The Authority will fund improvements through debt and assessments to property owners.

Overview of the Financial Statements

Upper Dublin Township Municipal Authority basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements. This report also includes other supplementary information in addition to the basic financial statements.

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the GASB.

Statement of Net Position

The Statement of Net Position presents the financial position of the Authority. It provides information on the Authority's assets, plus deferred outflows and inflows of resources, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Statement of Cash Flows

The Statement of Cash Flows presents information on the effects changes in assets and liabilities have on cash during the course of the fiscal year.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to the Financial Statements can be found on pages 12 through 20 of this report.

Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Upper Dublin Township Municipal Authority, assets exceeded liabilities by $13,943,817, $8,775,507, and $4,109,746, at the close of the fiscal years 2024, 2023, and 2022, respectively.

The following table summarizes the financial position of the Authority as of December 31, 2023, 2022 and 2021. Changes between the years are due to continued construction.

	2024	2023	2022
Assets			
Current assets	$ 775,491	$ 2,541,733	$ 1,697,969
Capital assets	18,597,614	13,147,386	7,742,311
Total Assets	$ 19,373,105	$ 15,689,119	$ 9,440,280
Current and Other Liabilities			
Long term liabilities	$ 4,705,000	$ 4,905,000	$ 5,105,000
Other liabilities	724,288	2,008,612	225,534
Total Liabilities	$ 5,429,288	$ 6,913,612	$ 5,330,534
Net Position			
Net Investment in Capital Assets	$ 13,692,614	$ 8,047,386	$ 2,452,311
Unrestricted	251,203	728,121	1,657,435
Total Net Position	$ 13,943,817	$ 8,775,507	$ 4,109,746

Net investment in Capital Assets increased by $5,645,228 and $5,595,075 during the years ending December 31, 2024 and 2023, respectively, which represented Construction in Progress less debt. The initial construction project funded by the Authority was completed in 2021. Construction has begun on additional transportation improvements. Additional information on capital assets can be found in Note 5 to the financial statements. Additional information on the debt can be found in Note 6 to the financial statements.

The following table summarizes the revenues, expenses and changes in net position of the Authority for the fiscal years ended December 31, 2024, 2023 and 2022. Changes during the year are due to grant awards and depreciation.

	2024	2023	2022
Operating Revenues	$ 525,000	$ 525,000	$ 524,280
Operating and Administrative Expenses	270,740	357,460	279,966
Operating Income (Loss)	254,260	167,540	244,314
Non-operating Revenue/Expense	4,914,050	4,498,221	(20,553)
Increase in Net Position	5,168,310	4,665,761	223,761
Net Position, Beginning	8,775,507	4,109,746	3,885,985
Net Position, Ending	$ 13,943,817	$ 8,775,507	$ 4,109,746

Economic Factors and Next Year's Budgets and Rates

The Board of Directors of the Upper Dublin Township Municipal Authority considers many factors when establishing budget appropriations and assessment rates. The Municipal Authority was created in January 2017 for the purpose of obtaining and financing capital for the construction, improvement and maintenance of projects within the service area of the Authority. An annual assessment is levied against all property owners within the service area as a source of capital to fund the improvement projects. The assessment has two components: funding for the cost of debt service on a twenty-five-year loan and funding for the Authority operating budget.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, creditors and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If there are any questions about this report or if additional financial information is required, please contact the Authority's staff at Upper Dublin Municipal Authority, 370 Commerce Drive, Fort Washington, PA 19034 or visit our website at www.upperdublin.net.

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(A Component Unit of the Municipality of Upper Dublin)

Statements of Net Position

December 31, 2024

ASSETS

	2024	2023
Assets		
Cash and cash equivalents	$ -	$ -
Assessments receivable	491	-
Grants receivable	775,000	2,541,733
Construction in progress	6,931,024	1,318,664
Other capital assets (net of (accumulated depreciation)	11,666,590	11,828,722
Total Assets	$ 19,373,105	$ 15,689,119

LIABILITIES

Liabilities		
Current portion of long term debt	$ 200,000	$ 195,000
Accounts payable	237,274	262,798
Due to the Township	287,014	1,550,814
Notes payable, net of current portion	4,705,000	4,905,000
Total Liabilities	$ 5,429,288	$ 6,913,612

NET POSITION

Net Position		
Net investment in capital assets	$ 13,692,614	$ 8,047,386
Unrestricted	251,203	728,121
Total Net Position	$ 13,943,817	$ 8,775,507

See independent auditors' report and accompanying notes to financial statements

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(Component Unit of the Municipality of Upper Dublin)

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating revenues	$ 525,000	$ 525,000
Operating and administrative expenses	108,608	122,689
Depreciation expense	162,132	234,771
Operating Income (Loss)	254,260	167,540
Non-operating Revenues/Expenses		
Investment income	39	44,061
Interest expense	(139,943)	(145,417)
Grants	5,053,954	4,599,577
Total Non-operating Revenues/Expenses	4,914,050	4,498,221
Increase in Net Position	5,168,310	4,665,761
Net Position, Beginning of Year	8,775,507	4,109,746
Net Position, End of Year	$ 13,943,817	$ 8,775,507

See independent auditors' report and accompanying notes to financial statements

UPPER DUBLIN TOWNSHIP MUNICIPAL AUTHORITY
(Component Unit of the Municipality of Upper Dublin)

Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from customers	$ 524,509	$ 525,000
Cash paid to suppliers of goods and services	(83,775)	(99,706)
Cash paid for salaries and benefits	(24,833)	(22,983)
Net cash provided by operating activities	415,901	402,311
Cash flows from investing activities:		
Interest and dividends received	39	44,061
Net cash provided by investing activities	39	44,061
Cash flows from capital and related financing activities:		
Infrastructure improvements	(5,637,884)	(5,417,582)
Loan from township	(1,263,800)	1,550,814
Grants received	6,820,687	2,057,844
Payments of debt	(195,000)	(190,000)
Interest paid	(139,943)	(145,417)
Net cash (used in) capital and financing activities	(415,940)	(2,144,341)
Net increase (decrease) in cash and cash equivalents	-	(1,697,969)
Cash and cash equivalents, beginning of year	-	1,697,969
Cash and cash equivalents, end of year	$ -	$ -
Reconciliation of net income to net cash provided by operating activities:		
Net operating income (loss)	$ 254,260	$ 167,540
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	162,132	234,771
Change in assessments receivable	(491)	-
Net cash provided by operating activities	$ 415,901	$ 402,311
Interest paid	$ 139,943	$ 145,417

See independent auditors' report and accompanying notes to financial statements

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity: Upper Dublin Township Municipal Authority (the Authority), a component unit of the Municipality of Upper Dublin was created as an operating authority on January 1, 2017 by the Township of Upper Dublin under the Municipal Authorities Act. The Authority was formed for the purpose of constructing, financing, and leasing projects related to transportation, storm water, and general economic development. The Authority is considered to be a component unit of Upper Dublin Township as the Township appoints the Board of Directors of the Authority and a financial benefit/burden relationship exists between the Township and the Authority.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenditures are recognized when incurred.

Cash and Cash Equivalents: The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities within three months or less from date of acquisition.

Fair Value Measurements: The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Revenue Recognition: The Authority distinguishes between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operation. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent that such are available and then to unrestricted net position.

NOTE 1. Summary of Significant Accounting Policies (Continued)

Capital Assets: Capital assets, which include road systems and bridges, are defined by the Authority as assets with an initial, individual cost of more than $25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Road systems and bridges	45-75 years

Long-term Obligations: In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, when applicable. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

Net Position: Net position includes the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position are classified in the following three components: net investment in capital assets; restricted for capital activity and debt services; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted represent cash and investments established for debt repayment under terms of the debt trust indenture. Unrestricted are amounts that do not meet the definitions above and are available for the Authority operations.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1. Summary of Significant Accounting Policies (Continued)

Reclassifications: Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Accounting Pronouncement: Governmental Accounting Standards Board has issued statements that will be effective in future years. Management has not yet determined the impact of these statements on the financial statements.

Subsequent Events: The Authority has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. No subsequent events have been recognized or disclosed.

NOTE 2. Budgets and Budgetary Accounting

Annual budgets are adopted on the cash basis of accounting.

The Authority follows these procedures in establishing the budget:

1. During November a preliminary budget is presented.
2. In December the final budget is adopted.
3. All budget revisions require the approval of the Authority.
4. Budgetary control is maintained at the account level.
5. The budget is adopted on the cash basis of accounting. All appropriations lapse at year end.

NOTE 3. Cash and Investments

State law allows the Authority to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Authority to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository.

NOTE 3. Cash and Investments (Continued)

The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loans or savings bank's assets, net of its liabilities. The Authority may also invest in shares of registered investment companies, provided that investments of the Authority are authorized investments, as noted above.

Custodial Credit Risk-Deposits: The Authority's cash equivalent investments in PLGIT are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The Authority's position in the external investment pool is the same as the value of the pool shares and is reported at amortized cost which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The Authority can withdraw funds from the external investment pool without limitation or fee upon adequate notice.

At December 31, 2024, the Authority has no bank balances, as it is indebted to the Township for construction advances.

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments through state limitations as discussed above.

Interest Rate Risk: The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity of less than one year.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described above. The Authority does not have a formal investment policy for credit risk. PLGIT investments are classified as AAAm.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The concentration of credit risk in investments of external investment pools is not required to be disclosed.

NOTE 4. Grants Receivable

In 2014, the Township initiated a multi-year capital improvement program to revitalize the Fort Washington Office Park. In January 2017, the Upper Dublin Township Municipal Authority was created for the purpose of obtaining and financing capital for the construction, improvement and maintenance of projects within the service area of the Authority, which is generally defined as the Fort Washington Office Park. An annual special assessment is levied against all property owners within the service area as a source of capital to fund the improvement projects.

To date, the Township and Authority have secured $20.4 million in grant funding from 23 separate sources to finance the multi-year projects which include bridge replacements, trails and road improvements. At December 31, 2024, grants receivable are from state, County and local sources.

NOTE 5. Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balance December 31, 2023	Additions	Deletions	Balance December 31, 2024
Business type activities				
Capital assets, not being depreciated:				
Construction in Progress	$ 1,318,664	$ 5,612,360	$ -	$ 6,931,024
Total capital assets, not being depreciated	1,318,664	5,612,360	-	6,931,024
Capital assets, being depreciated:				
Infrastructure	12,296,429	-	-	12,296,429
Total capital assets being depreciated	12,296,429	-	-	12,296,429
Less accumulated depreciation for:				
Infrastructure	467,707	162,132	-	629,839
Total accumulated depreciation	467,707	162,132	-	629,839
Total capital assets, being depreciated, net	11,828,722	(162,132)	-	11,666,590
Business-type activities capital assets, net	$ 13,147,386	$ 5,450,228	$ -	$ 18,597,614

NOTE 6. Long Term Debt

In 2018, the Authority issued $6 million in lease rental debt to fund the Fort Washington Park improvements. The notes were issued at an interest rate of 2.825% and will mature in 2043.

Changes in long term debt for 2024 are as follows:

	Balance December 31, 2023	Additions	Deletions	Balance December 31, 2024	Amounts due within one year
2018 Debt Issue	$ 5,100,000	$ -	$ 195,000	$ 4,905,000	$ 200,000

The debt is secured by the full faith and taxing credit of the Township but the debt will be repaid by assessments charged to the property owned based on their assessed property valuations.

Aggregate maturities on long term debt as of December 31, 2024 are as follows:

	Principal
2025	$ 200,000
2026	206,000
2027	211,000
2028	217,000
2029	223,000
2030-2034	1,210,000
2035-2039	1,386,000
2040-2043	1,252,000
	$ 4,905,000

NOTE 6. Long Term Debt (Continued)

Interest Rate Management

The Authority has notes outstanding with Delaware Valley Regional Finance Authority (DVRFA) as described below. The DVRFA has issued bonds to provide funds for these loans and has entered into interest rate swap agreements with Bank of America (BANA) and Citibank. The objective is to reduce the costs of participants in the DVRFA Loan Program and to enhance the ability of participants to manage their interest rate risks. The interest rate swaps serve as hedges against swings in the cash flows that would be required to repay outstanding debt.

Terms: The significant terms of the interest rate swap are as follows:

Date of Issue	Maturity Date	Principal Outstanding	Type of Note	Rates in Effect at Year End	Market Value
2018	2043	$ 4,905,000	Fixed	2.825%	$ 572,854

Interest Rate Risk: The Authority has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Authority elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (the "Municipal Swap Index"), adjusts weekly with a maximum interest rate of 15%. If the Authority elects a fixed rate, the rate, with terms and conditions selected by the Authority, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA under the DVRFA Swap Agreement. The Authority has the option to convert all or a portion of the variable rate notes to a fixed rate at any time to mitigate the exposure to changes in interest rates.

Basis Risk: The Authority does not have a basis risk.

Credit Risk: The Authority is exposed to credit risk on the swaps only when their fair values are negative or liabilities. At December 31, 2024, the swap had a positive fair value and the maximum amount of loss due to credit risk is zero. The long term unsecured, senior debt ratings of DVRFA are currently A2 and A+ by Moody's and Standards & Poor's, respectively.

NOTE 6. Long Term Debt (Continued)

Termination Risk: The Authority is obligated to pay any termination payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A termination payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Citibank, and the Authority. These termination payments could be triggered in the event of (i) a payment default by the Authority under the Loan Agreement, (ii) a payment default by DVRFA, BANA, or Citibank under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Citibank or (iv) the downgrading of the long term, unsecured, senior debt ratings of BANA, Citibank, or DVRFA.

In all instances of termination, except a payment default on a note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions. The amount of the termination payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the termination payment.

DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market. If DVRFA was obligated to make a payment and sufficient funds were not available, DVRFA could access each borrower its allocable share of the termination payment.

The estimated termination payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Authority debt as of December 31, 2024, is shown in the table on the previous page. In the event of a termination payment, DVRFA would assess the net loss, if any, to the Authority. Any net gain on the termination payment allocable to variable rate Notes would be retained by DVRFA.

Rollover Risk: This is the risk that the derivative does not last as long as the associated debt is outstanding. There is rollover risk on the interest rate swaps only to the extent that the swaps may be terminated prior to the maturity of the debt, as described above. Absent a termination event, the swap is scheduled to mature at the same time as the related debt.

Market Access Risk: The Authority does not have this risk.

NOTE 7. Commitments

Management Agreement: During 2017, the Authority signed an intergovernmental agreement with the Township for provision of services. Under the terms of the agreement, the Township will provide all relevant and related management, administrative insurance accounting, audit, operations and maintenance requirements of the Authority in regard to projects implemented by the Authority. The Authority will pay the employees at their regular Township hourly rates. Other appropriate costs will be passed through to the Authority. The agreement is for the life of the Authority.

NOTE 8. Risk Management and Contingencies

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance.

In the normal course of business, there are various relatively minor claims and suits pending against the Authority, none of which materially affect the financial position of the Authority. At the present time, there are no unasserted claims or significant litigation matters pending.